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DURHAM COUNTY  
ALCOHOLIC BEVERAGE CONTROL BOARD  
(A Component Unit of Durham County Government)

Financial Statements

June 30, 2018 and 2017

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Board of Directors  
Durham County Alcoholic Beverage Control Board  
Durham, North Carolina

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of Durham County Alcoholic Beverage Control Board, a component unit of Durham County Government, which comprise the statements of net position as of June 30, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Durham County Alcoholic Beverage Control Board, a component unit of Durham County Government, as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Other Post Employment Benefit schedules, the Local Government Employees' Retirement System's Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Contributions, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedules of Store, Warehouse and Administrative Expenses and Reconciliation of Budget to Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Store, Warehouse and Administrative Expenses and Reconciliation of Budget to Actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Koonce, Wooten & Hagwood, LLP*

Durham, North Carolina  
September 14, 2018

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
 (A Component Unit of Durham County Government)  
 Management's Discussion and Analysis  
 (Unaudited)

This section of Durham County Alcoholic Beverage Control (*ABC*) Board's (*the Board*) financial report represents management's discussion and analysis of the financial performance of the Board for the years ended June 30, 2018 and 2017. This information should be read in conjunction with the audited financial statements included in this report.

***Financial Highlights***

- Working capital increased approximately 11% over the prior year.
- Change in net position before profit distributions increased 3.94% over the prior year.
- Approximately 12.83% of profits before distributions were expended for law enforcement in the current year.
- Approximately 5.18% of profits before distributions were expended for alcohol education in the current year.
- Approximately 6.55% of gross sales were distributed to the City of Durham and Durham County governmental units in the current year.

***Overview of the Financial Statements***

The audited financial statements of the Board consist of three components. They are as follows:

- *Management's Discussion and Analysis*
- *Basic Financial Statements*
- *Additional Information Required by the North Carolina ABC Commission*

The *Basic Financial Statements* are prepared using the full accrual basis of accounting. They consist of three statements. The first statement is the **Statement of Net Position**. Assets and liabilities are classified between current and long-term. This statement provides a summary of the Board's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement.

The next statement is the **Statement of Revenues, Expenses and Changes in Net Position**. This statement is used in evaluating whether the Board has recovered all of its costs through sales. Its information is used in determining credit worthiness.

The final required statement is the **Statement of Cash Flows**. This statement reports cash inflows and outflows in the following categories: operating, investing, capital and related financing and noncapital financing activities. Based on this data, the user can determine the sources of cash, the uses of cash, and the change in cash.

The notes to the financial statements provide more detailed information and should be read in conjunction with the statements.

The North Carolina ABC Commission requires some schedules in addition to the information required by accounting principles generally accepted in the United States of America. They include a **Schedule of Store, Warehouse and Administrative Expenses** and a **Reconciliation of Budget to Actual**.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
(A Component Unit of Durham County Government)  
Management's Discussion and Analysis  
(Unaudited)

### Financial Analysis of Durham County ABC Board

Net Position is an indicator of the fiscal health of the Board. Assets and deferred outflows exceeded liabilities and deferred inflows by \$11,005,033 in 2018, by \$10,739,155 in 2017, and by \$9,642,099 in 2016. The largest component of net position was the investment in capital assets. It was 49% of the total net position for 2018, 46% for 2017, and 50% for 2016. Following is a summary of the Statement of Net Position:

Table 1  
Condensed Statement of Net Position

	June 30, 2018	June 30, 2017	June 30, 2016	\$ Change	% Change
				This Yr Over Last Yr	This Yr Over Last Yr
Current assets	\$ 9,017,414	\$ 9,365,414	\$ 7,973,941	\$ (348,000)	-3.72%
Non-current assets	6,050,656	6,112,687	6,081,730	(62,031)	-1.01%
Deferred outflows of resources	403,326	558,485	138,952	(155,159)	-27.78%
Total assets and deferred outflows of resources	<u>\$ 15,471,396</u>	<u>\$ 16,036,586</u>	<u>\$ 14,194,623</u>	<u>\$ (565,190)</u>	-3.52%
Current liabilities	\$ 3,135,273	\$ 3,846,409	\$ 3,055,146	\$ (711,136)	-18.49%
Non-current liabilities	1,308,543	1,413,195	1,409,099	(104,652)	-7.41%
Deferred inflows of resources	22,547	37,827	88,279	(15,280)	
Total liabilities and deferred inflows of resources	<u>\$ 4,466,363</u>	<u>\$ 5,297,431</u>	<u>\$ 4,552,524</u>	<u>\$ (831,068)</u>	-15.69%
Net Position					
Net investment in capital assets	\$ 5,375,192	\$ 4,954,153	\$ 4,823,397	\$ 421,039	8.50%
Restricted net position	1,098,751	1,061,280	1,001,653	37,471	3.53%
Unrestricted net position	<u>4,531,090</u>	<u>4,723,722</u>	<u>3,817,049</u>	<u>(192,632)</u>	-4.08%
Total Net Position	<u>\$ 11,005,033</u>	<u>\$ 10,739,155</u>	<u>\$ 9,642,099</u>	<u>\$ 265,878</u>	2.48%

For June 30, 2018, the decrease in liabilities compared to the prior year was due paying off long-term debt and payables prior to year end. The decrease in assets over the prior year was due paying off payables prior to year end.

For June 30, 2017, the increase in liabilities over the prior year was due primarily to an increase in net pension liability. The increase in assets over the prior year was due primarily to an increase in cash.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
(A Component Unit of Durham County Government)  
Management's Discussion and Analysis  
(Unaudited)

Net position as of June 30, 2018 increased by 2.48% from June 30, 2017 compared to a 11.38% increase between 2017 and 2016. Income from operations increased by 3.65% over the prior year and by 3.1% between 2017 and 2016. Following is a summary of the changes in net position:

Table 2  
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	June 30, 2018	June 30, 2017	June 30, 2016	\$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Operating revenues	\$ 37,346,615	\$ 36,072,852	\$ 34,129,036	\$ 1,273,763	3.53%
Less: Taxes on gross sales	8,779,091	8,475,431	8,032,355	303,660	3.58%
Net Sales	<u>28,567,524</u>	<u>27,597,421</u>	<u>26,096,681</u>	<u>970,103</u>	
Less: Cost of sales	<u>19,295,261</u>	<u>18,678,906</u>	<u>17,645,529</u>	<u>616,354</u>	3.30%
Gross Profit	9,272,263	8,918,515	8,451,152	353,749	3.97%
Less: Operating expenses	<u>5,081,067</u>	<u>4,874,992</u>	<u>4,530,877</u>	<u>206,075</u>	4.23%
Income from Operations	4,191,196	4,043,523	3,920,275	147,673	3.65%
Non-operating expenses, net	<u>(5,929)</u>	<u>(16,999)</u>	<u>(48,097)</u>	<u>11,070</u>	-65.12%
Change in net position Before Distributions	4,185,267	4,026,524	3,872,178	158,744	3.94%
Less: Distributions	<u>3,198,327</u>	<u>2,929,468</u>	<u>2,764,523</u>	<u>268,859</u>	9.18%
Change in Net Position	986,940	1,097,056	1,107,655	(110,115)	10.04%
Net Position - Beginning	<u>10,739,155</u>	<u>9,642,099</u>	<u>8,534,444</u>	<u>1,097,056</u>	11.38%
Net Position - Beginning, Restated	<u>10,018,093</u>				
Net Position - Ending	<u>\$ 11,005,033</u>	<u>\$ 10,739,155</u>	<u>\$ 9,642,099</u>	<u>\$ 265,878</u>	2.48%

For 2018, gross sales were up \$1,273,763 (+3.53%). This was the net result of an increase in retail sales and mixed beverage sales (sales to permit holders such as bars, restaurants, and hotels).

For 2017, gross sales were up \$1,943,816 (+5.70%). This was the net result of an increase in retail sales and mixed beverage sales (sales to permit holders such as bars, restaurants, and hotels).

Following is a breakdown of gross sales by source:

	June 30, 2018	June 30, 2017	June 30, 2016	\$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Retail Liquor Sales	\$ 29,338,357	\$ 28,517,050	\$ 26,907,391	\$ 821,307	2.88%
Mixed Beverage Sales	8,008,078	7,551,675	7,214,339	456,403	6.04%
Retail Wine Sales	<u>180</u>	<u>4,127</u>	<u>7,306</u>	<u>(3,947)</u>	-95.64%
Total Gross Sales	<u>\$ 37,346,615</u>	<u>\$ 36,072,852</u>	<u>\$ 34,129,036</u>	<u>\$ 1,273,763</u>	3.53%

In 2018, both retail and mixed beverage sales experienced increases compared to 2017.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
(A Component Unit of Durham County Government)  
Management's Discussion and Analysis  
(Unaudited)

### Capital Assets

Investment in capital assets as of June 30, 2018, totals \$6,050,656 (net of accumulated depreciation).

Major capital asset transactions during the year include the following:

- New warehouse and law enforcement vehicles in the amount of \$140,069.
- New furniture and equipment upgrades and replacements in the amount of \$166,574.
- New law enforcement equipment in the amount of \$21,359.

Table 3  
Capital Assets  
(net of depreciation)

	June 30, 2018	June 30, 2017	June 30, 2016	\$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Land	\$ 2,255,345	2,255,345	2,255,345	\$	0.00%
Work in progress			11,832	-	#DIV/0!
Buildings and improvements	2,860,154	3,022,471	3,043,782	(162,317)	-5.37%
Vehicles	137,600	45,155	37,321	92,445	204.73%
Furniture and equipment	451,566	443,162	372,426	8,404	1.90%
Law Enforcement	345,991	346,554	361,024	(563)	-0.16%
Total	<u>\$ 6,050,656</u>	<u>\$ 6,112,687</u>	<u>\$ 6,081,730</u>	<u>\$ (62,031)</u>	-1.01%

Additional information on the Board's capital assets can be found in Note 1 of the Basic Financial Statements.

### Debt Administration

The largest component of noncurrent liabilities is the total OPEB liability. Noncurrent liabilities decreased by \$104,652 from the prior year.

### Requests for Information

This report is intended to provide a summary of the financial condition of the Durham County ABC Board. Questions or requests for additional information should be addressed to Rufus Sales, General Manager, Durham County Alcoholic Beverage Control Board, 2634 Durham Chapel Hill Boulevard, Durham, North Carolina 27707.



DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
(A Component Unit of Durham County Government)  
Statements of Net Position  
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,679,661	\$ 6,272,293
Inventories	3,097,613	2,781,338
Prepaid expenses	240,140	311,783
Total current assets	<u>9,017,414</u>	<u>9,365,414</u>
Noncurrent assets:		
Capital assets:		
Land	2,255,345	2,255,345
Depreciable capital assets, net	3,449,320	3,510,788
Law enforcement, net	345,991	346,554
Total noncurrent assets	<u>6,050,656</u>	<u>6,112,687</u>
Total assets	<u>\$ 15,068,070</u>	<u>\$ 15,478,101</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension deferrals	<u>\$ 403,326</u>	<u>\$ 558,485</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$	\$ 990,884
Distributions payable	1,199,748	1,130,354
State taxes payable	720,158	678,670
Accrued expenses:		
Liabilities	273,834	340,922
Payroll and related costs	98,714	58,980
Sales tax payable	167,355	158,028
Current portion of long-term debt	675,464	488,571
Total current liabilities	<u>3,135,273</u>	<u>3,846,409</u>
Noncurrent liabilities:		
Long-term debt, net of current portion		669,963
Accrued vacation	107,139	117,568
Net pension liability	462,595	625,664
Total pension liability	44,545	
Total OPEB liability	694,264	
Total noncurrent liabilities	<u>1,308,543</u>	<u>1,413,195</u>
Total liabilities	<u>\$ 4,443,816</u>	<u>\$ 5,259,604</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals	<u>\$ 22,547</u>	<u>\$ 37,827</u>
<b>NET POSITION:</b>		
Net investment in capital assets	\$ 5,375,192	\$ 4,954,153
Restricted for working capital:	1,098,751	1,061,280
Unrestricted	<u>4,531,090</u>	<u>4,723,722</u>
Total net position	<u>\$ 11,005,033</u>	<u>\$ 10,739,155</u>

The accompanying notes are an integral part of the financial statements.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
(A Component Unit of Durham County Government)  
Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUE:		
Liquor sales-regular	\$ 29,338,357	\$ 28,517,050
Mixed beverage sales	8,008,078	7,551,675
Wine sales	180	4,127
Total gross sales	<u>37,346,615</u>	<u>36,072,852</u>
DEDUCT TAXES ON GROSS SALES:		
State excise tax	8,025,692	7,750,917
Mixed beverage tax (Revenue)	597,931	572,413
Mixed beverage tax (Human Resources)	59,793	57,241
Rehabilitation tax	95,662	94,573
Wine sales tax	13	287
Total taxes on gross sales	<u>8,779,091</u>	<u>8,475,431</u>
NET SALES	<u>28,567,524</u>	<u>27,597,421</u>
DEDUCT COST OF SALES:		
Cost of liquor sold	19,295,157	18,676,471
Cost of wine sold	104	2,435
Total cost of sales	<u>19,295,261</u>	<u>18,678,906</u>
GROSS PROFIT ON SALES	<u>9,272,263</u>	<u>8,918,515</u>
DEDUCT OPERATING EXPENSES:		
Store expenses	3,259,867	3,164,010
Warehouse and delivery expenses	550,676	520,145
Administrative expenses	931,266	907,052
Depreciation expenses	339,258	283,785
Total operating expenses	<u>5,081,067</u>	<u>4,874,992</u>
INCOME FROM OPERATIONS	<u>4,191,196</u>	<u>4,043,523</u>
NON-OPERATING REVENUES AND EXPENSES:		
Interest income	18,342	323
Interest expense	(24,271)	(39,730)
Other income		113,119
Loss on disposal of assets		(90,711)
Total non-operating revenues and expenses	<u>(5,929)</u>	<u>(16,999)</u>
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS	<u>4,185,267</u>	<u>4,026,524</u>
DEDUCT:		
Law Enforcement	537,156	382,715
Alcohol education/rehabilitation	216,727	213,420
Total distributions	<u>753,883</u>	<u>596,135</u>
CHANGE IN NET POSITION BEFORE PROFIT DISTRIBUTIONS (Forward)	<u>3,431,384</u>	<u>3,430,389</u>

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
(A Component Unit of Durham County Government)  
Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CHANGE IN NET POSITION		
BEFORE PROFIT DISTRIBUTIONS (Forwarded)	\$ <u>3,431,384</u>	\$ <u>3,430,389</u>
PROFIT DISTRIBUTIONS:		
City of Durham	244,444	233,333
County of Durham	<u>2,200,000</u>	<u>2,100,000</u>
Total profit distributions	<u>2,444,444</u>	<u>2,333,333</u>
CHANGE IN NET POSITION	986,940	1,097,056
NET POSITION - Beginning of year	<u>10,739,155</u>	<u>9,642,099</u>
NET POSITION - Beginning of year, restated	<u>10,018,093</u>	<u>                    </u>
NET POSITION - End of year	<u>\$ 11,005,033</u>	<u>\$ 10,739,155</u>

The accompanying notes are an integral part of the financial statements.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
(A Component Unit of Durham County Government)  
Statements of Cash Flows  
For the Years Ended June 30, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 37,346,615	\$ 36,072,852
Cash payments to suppliers for goods and services and taxes on sales	(22,396,337)	(19,957,942)
Cash payments to employees for services	(2,799,306)	(2,838,406)
Sales taxes paid	(8,728,276)	(8,417,072)
Other operating receipts		113,119
Net cash provided by operating activities	3,422,696	4,972,551
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(328,002)	(448,147)
Interest paid on loans	(24,271)	(39,730)
Principal paid on loan maturities	(483,070)	(99,799)
Net cash used by capital and related financing activities	(835,343)	(587,676)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Law enforcement distributions	(537,156)	(382,715)
Alcohol education distributions	(216,727)	(213,420)
Profit distributions to primary government	(2,444,444)	(2,333,333)
Net cash used by non-capital financing activities	(3,198,327)	(2,929,468)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	18,342	323
Net cash provided by investing activities	18,342	323
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(592,632)	1,455,730
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	6,272,293	4,816,563
<b>CASH AND CASH EQUIVALENTS - End of year</b>	\$ 5,679,661	\$ 6,272,293
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Income from Operations	\$ 4,191,196	\$ 4,043,523
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	390,033	326,479
Other income		113,119
Changes in assets and liabilities:		
Inventories	(316,275)	133,281
Prepaid expenses	71,643	(69,024)
Accounts payable	(990,884)	416,884
State taxes payable	41,488	45,784
Accrued liabilities	2,306	34,382
Accrued payroll and related costs	29,305	(97,953)
Accrued sales tax payable	9,327	12,575
Net pension liability	(163,069)	483,486
Total pension liability	44,545	
Total OPEB liability	(26,798)	
Deferred outflows of resources for pensions	155,159	
Deferred inflows of resources for pensions	(15,280)	(469,985)
Net cash provided by operating activities	\$ 3,422,696	\$ 4,972,551

The accompanying notes are an integral part of the financial statements.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
(A Component Unit of Durham County Government)  
Notes to Financial Statements  
June 30, 2018 and 2017

1. Summary of Significant Accounting Policies

A. Principles Used in Determining the Scope of the Entity for Financial Reporting:

The Durham County Alcoholic Beverage Control Board (the Board), a component unit of Durham County Government, North Carolina reporting entity, is a corporate body with powers outlined by North Carolina General Statutes Chapter 18B-701. The County's governing body appoints the Board.

The Board is required by State Statute to distribute a portion of its surpluses to the General Fund of the County and its municipalities, which represents a financial benefit to the County and its municipalities. Therefore, the Board is reported as a discretely presented component unit in the County's financial statements.

B. Organizational History:

The Board was organized under the provisions of the Pasquotank Act in 1937, and implemented by a county wide vote on May 15, 1937, at which time the Durham County Commissioners appointed three individuals to serve on the Board with terms of three years. In 2001 the County Commissioners added two more individuals to serve on the Board bringing the total to five Board members.

The Board, as provided by North Carolina Alcoholic Beverage Control laws, operates eight retail liquor stores, one mixed beverage location, and three combination retail/mixed beverage stores and, through its law enforcement division, investigates violations of such laws. North Carolina General Statute [18B-805(c)(2)(3)] requires that the Board expend at least 5% of profits for law enforcement, and at least 7% of the same profits for alcohol education and rehabilitation purposes.

C. Basis of Presentation:

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or the change in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Basis of Accounting:

The financial statements have been prepared using the accrual basis of accounting. All sales are made by cash, check, debit or credit card and recorded at the time of sale. Other revenues are recorded when earned. Expenses are recognized when incurred.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of Net Position date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense and other post-employment benefit expenses. Actual results may differ from those estimates.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
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1. Summary of Significant Accounting Policies (Continued)

F. Pensions:

For purposes of measuring the net pension asset and liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and addition to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The ABC Board's employer contributions are recognized when due and the ABC Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

***Assets, Liabilities, and Net Position***

A. Deposits:

All deposits of the Board are made in board-designated official depositories and are collateralized as required by State Law G.S. 159-31. The Board may designate, as an official depository, any bank or savings and loan association whose principal office is located in North Carolina. Also, the Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Board's agent in the Board's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the Board agent in the Board's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no formal policy regarding custodial credit risk for deposits; however, it is the current informal policy to follow State requirements.

At June 30, 2018 and 2017, the Board's deposits had a carrying amount of \$5,654,406 and \$6,244,833, respectively, and a bank balance of \$6,453,191 and 5,951,337, respectively. Of the bank balance, \$500,000 was covered by federal depository insurance and \$5,953,191 was covered by collateral held under the Pooling Method.

B. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

C. Inventories:

Inventories are valued at the lower of cost (FIFO) or market.

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1. Summary of Significant Accounting Policies (Concluded)

D. Capital Assets:

Capital Asset activity for the year ended June 30, 2018 was as follows:

	Balance 06/30/17	Increases	Decreases	Balance 6/30/2018
<b>Capital assets not being depreciated</b>				
Land	\$ 2,255,345	\$	\$	\$ 2,255,345
Work in progress				
Total capital assets not being depreciated	<u>2,255,345</u>			<u>2,255,345</u>
<b>Capital assets being depreciated</b>				
Buildings and improvements	4,900,158			4,900,158
Furniture/Equipment	1,453,600	166,574		1,620,174
Vehicles	110,669	111,323		221,992
Law enforcement	668,205	50,105		718,310
Total capital assets being depreciated	<u>7,132,632</u>	<u>328,002</u>		<u>7,460,634</u>
<b>Total capital assets</b>	9,387,977	328,002		9,715,979
<b>Less accumulated depreciation</b>				
Buildings and improvements	1,877,687	162,317		2,040,004
Furniture/Equipment	1,010,438	158,170		1,168,608
Vehicles	65,514	18,878		84,392
Law enforcement	321,651	50,668		372,319
Total Accumulated Depreciation	<u>3,275,290</u>	<u>390,033</u>		<u>3,665,323</u>
<b>Capital assets-net</b>	<u>\$ 6,112,687</u>			<u>\$ 6,050,656</u>

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in other income for the period.

E. Long-Lived Assets:

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

2. Net Position

Net Position consists of the following:

*Net investment in capital assets* – This component of net position consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

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2. Net Position (Continued)

*Restricted for law enforcement* – This applies only when the Board employs its own ABC officer.

*Restricted for capital improvements* – State law [G.S. 18B-805(d)] requires approval of the appointing authority to establish this account, outside of working capital, for specific capital improvements.

*Restricted for working capital* – North Carolina Alcoholic Beverage Control Commission Rule [.0902] defines working capital as the total of cash, investments and inventory less all unsecured liabilities. An ABC Board shall set its working capital requirements at not less than two weeks' average gross sales of the last fiscal year (legally required minimum) or greater than: (1) four months of the last fiscal year for boards with gross sales less than \$1,500,000; (2) three months of the latest fiscal year for boards with gross sales greater than or equal to \$1,500,000 and less than \$50,000,000; and (3) two months of the latest fiscal year for boards with gross sales equal to or greater than \$50,000,000. Average gross sales means gross receipts from the sale of alcoholic beverages less distributions required by State law [G.S. 18B-805(b), (2), (3), and (4)].

*Unrestricted net position* – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

3. Pension Plan Obligations and Other Post-Employment Benefits

***Local Government Employees' Retirement System***

A. Plan Description:

The Board is a participating employer in the statewide Local Government Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

B. Benefits Provided:

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and



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3. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached aged 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains on the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

C. Contributions:

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.58% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$171,914 and \$160,184 for the years ended June 30, 2018 and June 30, 2017, respectively.

D. Refunds of Contributions:

Board employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2018, the Board reported a liability of \$462,595 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Board's proportion was 0.03028%, which was an increase of 0.00080% from its proportion measured as of June 30, 2016.

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3. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

For the year ended June 30, 2018, the Board recognized pension expense of \$112,070. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 26,650	\$ 13,095
Changes of assumptions	66,065	
Net difference between projected and actual earnings on pension plan investments	112,319	
Changes in proportion and differences between employer contributions and proportionate share of contributions	24,167	9,452
Employer contributions subsequent to the measurement date	171,914	
	<u>\$ 401,115</u>	<u>\$ 22,547</u>

\$171,914 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2019	\$ 25,440
2020	139,395
2021	71,244
2022	(29,425)
	<u>\$ 206,654</u>

**Actuarial Assumptions:**

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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3. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

<u>Asset Allocation</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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3. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

**Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate:**

The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the Board's proportionate share of what the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
ABC Board's proportionate share of the net pension liability (asset)	\$ 1,388,719	\$ 462,595	\$ (310,427)

**Pension Plan Fiduciary Net Position:**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

**Death Benefits:**

The Board has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contribution membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Board has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the Post Employment benefit amount and the other benefit amount. The Board considers these contributions to be immaterial.

***Supplemental Retirement Income Plan for Law Enforcement Officers***

A. Plan Description:

The Board contributes to the Supplemental Retirement Income Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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3. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

B. Funding Policy:

Article 12E of G.S. Chapter 143 required the Board to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ending June 30, 2018 were \$10,619, which consisted of \$8,331 from the Board and \$2,288 from the law enforcement officers. Contributions for the year ending June 30, 2017 were \$23,499, which consisted of \$5,947 from the Board and \$17,552 from the law enforcement officers.

***Other Post-Employment Benefits (OPEB)***

A. Plan Description:

From 1997 until January 16, 2007 the Board had a policy to provide health insurance benefits to retirees. Retirees with at least 30 years of service were provided health insurance at no cost to the retiree through continuing enrollment (employee-only coverage) in the Board's health insurance plan until age 65. At age 65, a supplemental health insurance policy was provided at the Board's cost for the retiree's lifetime. This benefit was also available under certain early retirement elections, but with early retirement the benefit was paid for fully by the retiree and ceased at age 65. On January 16, 2007 the Board terminated the health insurance benefit for future retirees under a 12 year transition plan that will end on June 30, 2019. During the transition plan period (January 16, 2007 to June 30, 2019) retirees may participate in the Board's health insurance plan by paying either a portion or all of the premium but the benefit ceases at age 65. Health benefits for future retirees will be fully eliminated for retirements beyond the fiscal year ending June 30, 2019.

B. Total OPEB Liability:

The Board's total OPEB liability of \$694,264 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

*Actuarial Methods and Assumptions.* The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, average, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates:	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2020

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

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3. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

**Changes in Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at July 1, 2017	\$ 721,062
Changes for the year:	
Changes in assumptions or other inputs	16,988
Employer contributions	(43,786)
Net changes	<u>(26,798)</u>
Balance at June 30, 2018	<u>\$ 694,264</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

***Law Enforcement Officers' Special Separation Allowance***

A. Plan Description:

The Board administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Board's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years creditable service. The Separation Allowance is equal to 85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Board are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>2</u>
	<u><u>2</u></u>

B. Summary of Significant Accounting Policies:

Basis of Accounting – The Board has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized as expenses when due and payable in accordance with the terms of the plan.

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3. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members

C. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.5 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

D. Contributions:

The Board is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Board's obligation to make these payments was established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Board paid \$0 as benefits came due for the reporting period.

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3. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2018, the Board reported a total pension liability of \$44,545. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Board recognized pension expense of \$42,334.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$	\$
Changes of assumptions	2,211	
Board benefit payments and plan administrative expense made subsequent to the measurement date		
	\$ 2,211	\$
Year Ending June 30		
2019		\$ 953
2020		953
2021		305
		\$ 2,211

There were no benefits paid during the year to be recorded as deferred outflows of resources.

*Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 3.16 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 49,305	\$ 44,545	\$ 40,141



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3. Pension Plan Obligations and Other Post-Employment Benefits (Concluded)

Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance

	2018
Beginning balance	\$
Service Cost	1,523
Interest on the total pension liability	1,481
Changes in benefit terms	
Differences between expected and actual experience in the measurement of the total pension liability	
Changes in assumptions or other inputs	41,541
Benefit payments	
Ending balance of the total pension liability	\$ 44,545

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

***Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions***

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 112,070	\$ 42,334	\$ 154,404
Pension Liability	462,595	44,545	507,140
Proportionate share of the net pension liability	0.03028%	N/A	
<b>Deferred of Outflows of Resources</b>			
Differences between expected & actual experience	26,650		26,650
Changes of assumptions	66,065	2,211	68,276
Net difference between projected and actual earnings on plan investments	112,319		112,319
Changes in proportion & differences between contributions & proportionate share of contributions	24,167		24,167
Benefit payments & administrative costs paid subsequent to the measurement date	171,914		171,914
<b>Deferred of Inflows of Resources</b>			
Differences between expected & actual experience	13,095		13,095
Changes of assumptions			
Net difference between projected and actual earnings on plan investments			
Changes in proportion & differences between contributions & proportionate share of contributions	9,452		

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4. Law Enforcement Division

The statements of Net Position of the Board include land, building improvements, equipment, and motor vehicles of the Law Enforcement Division. However, the depreciation expense for these assets is charged directly to the Law Enforcement Division so as to properly reflect the Division's expenses.

5. Lease Commitments

The Board has leased one store property under a lease agreement which expires February 2021, and its home office location under a lease agreement which expires May 2022. Each lease requires a minimum monthly rental payment. Rent expense for the years ended June 30, 2018 and 2017 was \$74,802 and \$79,294, respectively.

The lease payment schedule is as follows:

Year Ending June 30		
2019	\$	135,845
2020		139,576
2021		121,094
2022		72,990
	\$	469,505

6. Vacation and Sick Leave Compensation

Board employees may accumulate up to thirty days earned vacation and such leave is fully vested when earned. Accumulated earned vacation at June 30, 2018 and 2017 amounted to \$107,139 and \$117,568, respectively. The current portion of the accumulated vacation pay is not considered to be material.

Employees can accumulate an unlimited amount of sick leave. Sick leave may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

7. Local Distributions of Income

North Carolina G.S. 18B-805 requires that the minimum distribution set aside in (c)(1) and any profit remaining after deducting amounts required for law enforcement and alcohol education and retaining proper working capital, be paid quarterly to the appointing authority.

The Board has made distributions for the years ending June 30 as follows:

Store Location	2018	2017
90% County of Durham	\$ 2,200,000	\$ 2,100,000
10% City of Durham	\$ 244,444	\$ 233,333

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
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Notes to Financial Statements  
June 30, 2018 and 2017

8. Law Enforcement and Alcohol Education Expenses

The Board is required by law to expend at least 5% of its profits for law enforcement and not less than 7% for alcohol education (alcohol education requirements follows local enabling act). Profits are defined by law for these calculations as change in net position before law enforcement and educational expenses, less the 3.5% markup provided in G.S. 18B-804(b)(5) and the bottle charge provided for in G.S. 18B-804(b)(6b).

	2018	2017
Profit before distributions	\$ 4,185,267	\$ 4,026,524
Less: 3½% tax and bottle charge	936,332	904,274
Profit subject to expense percentages	<u>\$ 3,248,935</u>	<u>\$ 3,122,250</u>
Law enforcement expenditures--Actual	\$ 537,156	\$ 382,715
(Percentage of profit)	<u>16.53%</u>	<u>12.26%</u>
Provision for alcohol education and rehabilitation--Actual	\$ 216,727	213,420
(Percentage of profit)	<u>6.67%</u>	<u>6.84%</u>

9. Disbursement of Taxes Included in Selling Price

A state excise tax at the rate of 30% on the liquor (net sales) price is charged monthly on sales (excluding wine sales). Transactions for this account for the year are summarized as follows:

	2018	2017
Taxes payable July 1	\$ 618,615	\$ 574,532
Taxes collected during the year	8,709,943	7,882,073
Taxes remitted to Department of Revenue	<u>(8,671,674)</u>	<u>(7,837,990)</u>
Taxes payable June 30	<u>\$ 656,884</u>	<u>\$ 618,615</u>

The excise tax is computed in accordance with G.S. 18B-805(i), and is included in State Taxes Payable in the Statements of Net Position.

The accrued North Carolina excise tax at June 30, 2018, was remitted to the North Carolina Department of Revenue on July 12, 2018.

An additional bottle charge as provided for in G.S. 18B-804(b)(6b) of one cent on each bottle containing 50 milliliters or less and five cents on each bottle containing more than 50 milliliters is collected and distributed monthly for alcohol education and rehabilitation.

For the fiscal year ended June 30, 2018, payments to the County and its municipalities were based on the following bottle sales:

Regular bottles	1,472,052 at 5 cents =	\$ 73,603
Mixed beverage bottles	301,361 at 5 cents =	15,068
Miniature bottles	699,115 at 1 cent =	<u>6,991</u>
Total payment for the year		<u>\$ 95,662</u>

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
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Notes to Financial Statements  
June 30, 2018 and 2017

9. Disbursement of Taxes Included in Selling Price (Continued)

For the fiscal year ended June 30, 2017, payments to the County and its municipalities were based on the following bottle sales:

Regular bottles	1,466,434 at 5 cents =	\$	73,322
Mixed beverage bottles	294,486 at 5 cents =		14,724
Miniature bottles	652,734 at 1 cent =		<u>6,527</u>
Total payment for the year		\$	<u><u>94,573</u></u>

A “mixed beverage tax” as provided for in G.S.18B-804(b)(8) at the rate of \$20 per 4 liters is charged on the sale of liquor to be resold as mixed beverages. One-half of the mixed beverage tax is submitted monthly to the Department of Revenue. Five percent of the mixed beverage tax is submitted monthly to the Department of Health and Human Services.

The mixed beverage tax for the year was:

	2018	2017
Department of Revenue (50%)	\$ <u>597,931</u>	\$ <u>572,413</u>
Department of Health and Human Services (5%)	59,793	57,241
Profit retained and remitted to local government (45%)	538,138	515,172
	\$ <u><u>1,195,862</u></u>	\$ <u><u>1,144,826</u></u>

10. Bailment Surcharge Collected

The total amount of surcharge collected for the fiscal years June 30, 2018 and 2017 was \$244,923 and \$243,177, respectively. The current rate is \$1.40 per case.

11. Liquor Sales Tax

The total amount of sales tax collected by the Board and remitted to the Department of Revenue for the fiscal years June 30, 2018 and 2017 was \$2,052,554 and \$1,992,283, respectively. The current sales tax rate is 7%. This tax is collected as agent for the State in each sales transaction and remitted each month to the State. This tax is not shown in the Schedule of Revenues, Expenses, and Changes in Net Position.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
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Notes to Financial Statements  
June 30, 2018 and 2017

12. Retail Outlets

The ABC Board operated eight retail outlets, five of which also sold mixed beverages:

Store #	Store Address	Gross Sales		Change in Net Position	
		Year Ended June 30,		Year Ended June 30,	
		2018	2017	2018	2017
1	1930 Holloway St.	\$ 3,876,861	\$ 3,801,022	\$ 568,294	\$ 572,314
3	2806 Hillsborough Rd.	4,420,057	6,171,813	689,939	1,047,479
4	2121 T.W. Alexander Dr.	2,766,837	2,697,979	281,667	262,446
8	5234 Roxboro Rd.	2,610,346	2,510,802	297,061	285,750
10	5202 Highway 55	3,926,076	5,467,829	552,366	908,975
11	3620 Chapel Hill Blvd.	11,948,124	7,788,495	2,217,677	1,341,181
12	3318 Guess Rd.	3,672,139	3,625,032	505,245	496,217
14	4717 Hope Valley Rd.	4,126,175	4,009,880	627,345	606,769
		<u>\$ 37,346,615</u>	<u>\$ 36,072,852</u>	<u>\$ 5,739,594</u>	<u>\$ 5,521,131</u>

13. Working Capital

The Board is required by the Alcoholic Beverage Control Commission rule [.0902] to set its working capital requirements at not less than two weeks average gross sales of the last fiscal year. (Gross sales are gross receipts from the sale of alcoholic beverages less distributions as defined in G.S. 18B-805(b)(2), (3), and (4)).

Minimum amount	\$ 1,098,751
Maximum amount	\$ 7,141,881
Actual amount	\$ 6,210,326

The Board has met the minimum amount of working capital required by ABC law as shown above.

14. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has commercial property, general liability, auto liability, workmen's compensation, data breach, flood, wind & hail, public officials liability/employment practice and employee health coverage. The Board also has liquor legal liability coverage.

There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 18B-700(i), each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000, secured by a corporate surety.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
(A Component Unit of Durham County Government)  
Notes to Financial Statements  
June 30, 2018 and 2017

15. Long-Term Debt

A summary of long-term debt is as follows at June 30:

	2018	2017
Note payable to a bank payable in 83 monthly payments of interest and principal totaling \$4,760 and one balloon payment of \$401,759 due on April 1, 2018. Interest is fixed at 3.57%. The note is secured by a deed of trust on property and the proceeds are to be used for store expansions and renovations.	\$	\$ 427,312
Note payable to a bank payable in 72 monthly payments of interest and principal totaling \$7,264 and one balloon payment of \$672,680 due on August 1, 2018. Interest is fixed at 3.68%. The note is secured by a deed of trust on property and the proceeds are to be used for store expansions and renovations.	675,464	731,222
	675,464	1,158,534
Less: Current portion of debt	675,464	488,571
Total long-term debt	\$	\$ 669,963

Estimated maturities on long-term debt as of June 30, 2018 are as follows:

Year Ending June 30	
2019	\$ <u>675,464</u>

16. Restatements

***Change in Accounting Principle:***

The ABC Board implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in the fiscal year ending June 30, 2018. The implementation of the statement required the Board to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Board related to OPEB during the measurement period. Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position decreased by \$721,062.

SUPPLEMENTARY INFORMATION

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
 (A Component Unit of Durham County Government)  
 ABC Board's Proportionate Share of Net Pension Liability (Asset)  
 Required Supplementary Information  
 Last five fiscal years

Local Government Employees' Retirement System

	2018	2017	2016	2015	2014
ABC Board's proportion of the net pension liability (asset) (%)	0.0303%	0.0295%	0.0317%	0.2890%	0.0298%
ABC Board's proportion of the net pension liability (asset) (\$)	\$ 462,595	\$ 625,664	\$ 142,178	\$ (186,477)	\$ 419,474
ABC Board's covered-employee payroll	\$ 2,164,634	\$ 1,919,632	\$ 1,863,329	\$ 1,854,330	\$ 2,064,711
ABC Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	21.37%	32.59%	7.63%	-10.06%	20.32%
Plan fiduciary net position as a percentage of the total pension liability **	94.18%	91.45%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.



DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
(A Component Unit of Durham County Government)  
ABC Board's Contributions  
Required Supplementary Information  
Last five fiscal years

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 171,914	\$ 160,184	\$ 130,609	\$ 139,597	\$ 139,150
Contributions in relation to the contractually required contribution	<u>171,914</u>	<u>160,147</u>	<u>130,609</u>	<u>139,597</u>	<u>139,150</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$ 37</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
ABC Board's covered-employee payroll	\$ 2,253,249	\$ 2,164,634	\$ 1,919,632	\$ 1,863,329	\$ 1,854,330
Contributions as a percentage of covered-employee payroll	7.63%	7.40%	6.80%	7.49%	7.50%

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
 (A Component Unit of Durham County Government)  
 Schedule of Changes in the Total OPEB Liability and Related Ratios  
 Required Supplementary Information  
 June 30, 2018

Changes of assumptions	\$ 16,988
Employer Contributions	(43,786)
Net change in total OPEB liability	<u>(26,798)</u>
Total OPEB liability - beginning	<u>721,062</u>
 Total OPEB liability - ending	 <u><u>\$ 694,264</u></u>
 Covered payroll	 \$ 2,253,249
Total OPEB liability as a percentage of covered payroll	30.81%

Notes to Schedule

Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period.  
 The following are the discount rates used in each period:

Fiscal Year	Rate
2018	3.56%

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
 (A Component Unit of Durham County Government)  
 Schedule of Changes in Total Pension Liability  
 Law Enforcement Officers' Special Separation Allowance  
 For the Year Ended June 30, 2018

Beginning balance	\$	
Service Cost		1,523
Interest on the total pension liability		1,481
Changes in benefit terms		
Differences between expected and actual experience		
Changes in assumptions or other inputs		41,541
Benefit payments		
Ending balance of the total pension liability	\$	<u><u>44,545</u></u>

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
 (A Component Unit of Durham County Government)  
 Schedule of Total Pension Liability as a Percentage of Covered Payroll  
 Law Enforcement Officers' Special Separation Allowance  
 For the Year Ended June 30, 2018

Total pension liability	\$	44,545
Covered payroll		166,983
Total pension liability as a percentage of covered payroll		26.7%

Notes to the schedules:

The ABC Board has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
(A Component Unit of Durham County Government)  
SCHEDULE OF STORE, WAREHOUSE AND ADMINISTRATIVE EXPENSES  
Year Ended June 30, 2018

	Store 1	Store 3	Store 4	Store 8	Store 9	Store 10	Store 11	Store 12	Store 14	Subtotal	Warehouse	Administrative	Total
<b>Revenue:</b>													
Liquor sales-regular	\$ 3,876,681	\$ 4,208,632	\$ 2,756,249	\$ 2,610,346	\$ 7,624,687	\$ 3,764,698	\$ 4,323,437	\$ 3,672,139	\$ 4,126,175	\$ 29,338,357	\$	\$	\$ 29,338,357
Mixed beverage sales		211,425	10,588		7,624,687	161,378				8,008,078			8,008,078
Wine sales	180									180			180
Gross Sales	<u>3,876,861</u>	<u>4,420,057</u>	<u>2,766,837</u>	<u>2,610,346</u>	<u>7,624,687</u>	<u>3,926,076</u>	<u>4,323,437</u>	<u>3,672,139</u>	<u>4,126,175</u>	<u>37,346,615</u>	<u>-</u>	<u>-</u>	<u>37,346,615</u>
<b>Adjustments to Revenue:</b>													
State excise tax	833,130	949,875	594,671	561,064	1,637,638	843,841	929,305	789,264	886,904	8,025,692			8,025,692
Mixed beverage tax (Revenue)		15,951	799		569,000	12,181				597,931			597,931
Mixed beverage tax (Human Resources)		1,595	80		56,900	1,218				59,793			59,793
Rehabilitation tax	9,930	11,337	7,085	6,682	19,530	10,068	11,066	9,401	10,563	95,662			95,662
Wine sales tax	13									13			13
Total adjustments to Revenue	<u>843,073</u>	<u>978,758</u>	<u>602,635</u>	<u>567,746</u>	<u>2,283,068</u>	<u>867,308</u>	<u>940,371</u>	<u>798,665</u>	<u>897,467</u>	<u>8,779,091</u>	<u>-</u>	<u>-</u>	<u>8,779,091</u>
<b>Net Sales</b>	<u>3,033,788</u>	<u>3,441,299</u>	<u>2,164,202</u>	<u>2,042,600</u>	<u>5,341,619</u>	<u>3,058,768</u>	<u>3,383,066</u>	<u>2,873,474</u>	<u>3,228,708</u>	<u>28,567,524</u>			<u>28,567,524</u>
<b>Deducts Cost of Sales</b>	<u>2,081,536</u>	<u>2,344,301</u>	<u>1,476,857</u>	<u>1,397,920</u>	<u>3,429,679</u>	<u>2,088,495</u>	<u>2,313,421</u>	<u>1,959,934</u>	<u>2,203,118</u>	<u>19,295,261</u>			<u>19,295,261</u>
<b>Gross Profit on Sales</b>	<u>952,252</u>	<u>1,096,998</u>	<u>687,345</u>	<u>644,680</u>	<u>1,911,940</u>	<u>970,273</u>	<u>1,069,645</u>	<u>913,540</u>	<u>1,025,590</u>	<u>9,272,263</u>			<u>9,272,263</u>
<b>Operating Expenses:</b>													
Salaries and wages	195,501	193,858	177,713	181,631	219,653	197,897	186,717	220,242	186,733	1,759,945	275,173	504,066	2,539,184
FICA taxes	14,564	14,898	13,392	13,485	16,856	15,763	13,957	17,291	13,467	133,673	20,594	37,281	191,548
Pension expense	10,025	10,657	10,001	9,674	7,443	9,662	8,644	12,905	11,004	90,015	17,205	4,850	112,070
401(K) expense	3,278	3,000	2,000	3,634	2,680	3,257	3,161	3,941	4,076	29,027	4,666	11,887	45,580
Life insurance	484	544	450	448	361	529	376	549	496	4,237	782	1,481	6,500
Hospital insurance	23,559	24,862	22,821	19,628	13,828	27,706	18,857	20,210	24,400	195,871	22,358	77,761	295,990
Disability insurance	1,814	2,041	1,728	1,679	1,349	1,644	1,422	2,062	1,854	15,593	2,936	5,545	24,074
Dental insurance	1,443	1,395	1,494	923	808	1,533	923	1,236	879	10,634	1,484	3,037	15,155
Rent	-	-	74,802	-	-	-	-	-	-	74,802	-	72,314	147,116
Utilities	11,882	11,012	5,120	15,891	7,549	10,508	8,623	11,565	8,937	91,087	14,274	4,974	110,335
Telephone	1,212	1,346	1,301	2,172	3,227	1,276	3,855	1,430	873	16,692	3,999	14,301	34,992
Credit card expenses	35,120	61,409	41,779	31,973	-	54,007	60,665	46,720	64,859	396,532	-	-	396,532
Insurance - general	10,997	10,319	7,798	11,038	8,863	12,167	15,358	10,560	11,468	98,568	22,864	19,691	141,123
Supplies	14,117	15,092	10,144	9,677	6,211	14,189	16,165	13,486	14,746	113,827	5,101	6,483	125,411
Travel expense	6	70	78	78	115	654	150	221	597	1,891	218	19,457	21,566
Temporary help	-	-	-	-	-	-	-	-	-	-	114,009	-	114,009
Maintenance agreements	6,202	8,258	6,353	6,332	15,933	8,633	6,575	6,806	8,496	73,588	6,971	23,920	104,479
Building maintenance	9,523	5,708	4,386	3,382	3,997	14,219	5,137	5,098	5,744	57,194	11,508	1,323	70,025
Postage	-	-	-	-	-	-	-	-	-	-	-	2,594	2,594
Professional services	-	-	-	-	-	-	-	-	-	-	-	77,049	77,049
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	-	5,776	5,776
Per diem - Board members	-	-	-	-	-	-	-	-	-	-	-	11,900	11,900
Yard maintenance	3,412	3,412	-	3,412	-	3,412	3,454	3,412	3,412	23,926	3,412	-	27,338
Security - alarm contracts	4,450	4,256	4,611	4,815	4,011	4,430	4,669	4,428	4,581	40,251	1,452	420	42,123
Vehicle expense	-	-	-	-	-	-	-	-	-	-	12,193	1,220	13,413
Gas and oil	-	-	-	-	-	-	-	-	-	-	-	1,456	8,629
Waste disposal	2,790	600	-	480	2,973	2,528	3,969	2,332	3,272	18,944	960	233	20,137
Advertising	-	-	-	-	-	-	-	-	-	-	-	3,802	3,802
Bottled water	429	391	488	361	83	377	497	452	315	3,393	462	512	4,367
Staff training and development	-	-	-	-	-	-	-	-	-	-	-	14,232	14,232
Minor equipment	418	569	569	572	3,832	806	2,336	844	231	10,177	885	3,698	14,760
Depreciation	<u>32,732</u>	<u>33,432</u>	<u>18,658</u>	<u>26,334</u>	<u>14,233</u>	<u>32,710</u>	<u>64,393</u>	<u>22,505</u>	<u>27,805</u>	<u>272,802</u>	<u>39,482</u>	<u>26,974</u>	<u>339,258</u>
Total Expenses	<u>\$ 383,958</u>	<u>\$ 407,059</u>	<u>\$ 405,678</u>	<u>\$ 347,619</u>	<u>\$ 334,005</u>	<u>\$ 417,907</u>	<u>\$ 429,903</u>	<u>\$ 408,295</u>	<u>\$ 398,245</u>	<u>\$ 3,532,669</u>	<u>\$ 590,161</u>	<u>\$ 958,237</u>	<u>\$ 5,081,067</u>
<b>Income from Operations</b>	<u>568,294</u>	<u>689,939</u>	<u>281,667</u>	<u>297,061</u>	<u>1,577,935</u>	<u>552,366</u>	<u>639,742</u>	<u>505,245</u>	<u>627,345</u>	<u>5,739,594</u>	<u>(590,161)</u>	<u>(958,237)</u>	<u>4,191,196</u>
<b>Non-Operating Revenues/Expenses</b>												<u>(5,929)</u>	<u>(5,929)</u>
<b>Change in Net Position Before Distributions</b>	<u>568,294</u>	<u>689,939</u>	<u>281,667</u>	<u>297,061</u>	<u>1,577,935</u>	<u>552,366</u>	<u>639,742</u>	<u>505,245</u>	<u>627,345</u>	<u>5,739,594</u>	<u>(590,161)</u>	<u>(964,166)</u>	<u>4,185,267</u>

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
(A Component Unit of Durham County Government)  
SCHEDULE OF STORE, WAREHOUSE AND ADMINISTRATIVE EXPENSES  
Year Ended June 30, 2017

	Store 1	Store 3	Store 4	Store 8	Store 9	Store 10	Store 11	Store 12	Store 14	Subtotal	Warehouse	Administrative	Total
Salaries and wages	\$ 186,533	\$ 251,787	\$ 177,865	\$ 164,972	\$ 114,376	\$ 227,604	\$ 177,828	\$ 215,286	\$ 188,938	\$ 1,705,189	\$ 246,787	\$ 478,498	\$ 2,430,474
FICA taxes	13,400	18,951	12,736	12,398	7,924	17,321	12,439	16,346	14,121	125,636	18,133	33,645	177,414
Pension expense	12,519	17,990	11,635	10,906	5,088	13,666	10,941	15,750	12,295	110,790	16,671	35,872	163,333
401(K) expense	3,088	3,596	2,399	3,417	1,431	3,394	3,427	3,745	3,255	27,752	4,058	11,148	42,958
Life insurance	428	645	432	430	159	623	405	542	460	4,124	624	1,270	6,018
Hospital insurance	21,493	29,083	19,211	19,457	7,188	28,918	16,922	16,724	19,747	178,743	22,203	77,370	278,316
Disability insurance	1,593	2,419	1,618	1,610	598	2,113	1,511	2,044	1,714	15,220	2,344	4,799	22,363
Dental insurance	1,179	1,514	1,315	1,027	559	1,414	971	1,208	1,625	10,812	1,258	2,526	14,596
Rent	-	-	79,294	-	-	-	-	-	-	79,294	-	11,927	91,221
Utilities	14,534	11,896	4,756	15,931	4,638	10,147	9,207	10,242	8,873	90,224	15,868	6,255	112,347
Telephone	1,550	2,280	2,059	1,837	2,274	2,311	2,986	1,927	1,458	18,682	4,247	14,291	37,220
Credit card expenses	34,597	60,296	40,966	32,352	-	54,888	59,730	47,968	63,457	394,254	-	-	394,254
Insurance - general	11,704	10,731	5,704	10,131	5,173	14,411	10,763	8,919	11,120	88,656	15,104	21,737	125,497
Supplies	13,630	18,676	10,240	9,216	1,959	17,168	16,571	12,895	15,000	115,355	5,871	6,617	127,843
Travel expense	313	392	1,239	689	188	349	19	705	669	4,563	33	16,988	21,584
Temporary help	-	-	-	-	-	-	-	-	-	-	109,189	4,704	113,893
Maintenance agreements	6,342	7,625	5,447	6,049	11,866	7,587	5,852	5,530	7,667	63,965	9,557	26,524	100,046
Building maintenance	3,553	5,052	4,429	4,214	2,376	4,219	6,856	8,969	5,399	45,067	5,879	3,660	54,606
Postage	-	-	-	-	-	-	-	-	-	-	-	2,750	2,750
Professional services	-	-	-	-	-	-	-	-	-	-	-	116,777	116,777
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	-	4,300	4,300
Per diem - Board members	-	-	-	-	-	-	-	-	-	-	-	12,000	12,000
Yard maintenance	3,350	3,350	-	3,350	-	3,350	3,350	3,650	3,050	23,450	3,350	-	26,800
Security - alarm contracts	3,717	3,868	3,916	3,782	3,145	4,177	4,090	3,812	3,608	34,115	699	175	34,989
Vehicle expense	-	-	-	-	-	-	-	-	-	-	31,486	1,550	33,036
Gas and oil	-	-	-	-	-	-	-	-	-	-	5,311	730	6,041
Waste disposal	2,474	616	16	496	2,481	2,333	3,541	2,421	2,742	17,120	960	54	18,134
Advertising	-	-	-	-	-	-	-	-	-	-	-	1,990	1,990
Bottled water	319	571	399	326	-	475	339	351	251	3,031	452	410	3,893
Staff training and development	-	-	-	-	-	-	-	-	-	-	-	2,651	2,651
Minor equipment	665	641	1,014	601	336	146	2,843	1,145	577	7,968	61	5,834	13,863
	336,981	451,979	386,690	303,191	171,759	416,614	350,591	380,179	366,026	3,164,010	520,145	907,052	4,591,207
Depreciation	27,365	30,482	17,297	24,100	1,817	30,454	60,189	20,127	21,543	233,374	22,698	27,713	283,785
	<u>\$ 364,346</u>	<u>\$ 482,461</u>	<u>\$ 403,987</u>	<u>\$ 327,291</u>	<u>\$ 173,576</u>	<u>\$ 447,068</u>	<u>\$ 410,780</u>	<u>\$ 400,306</u>	<u>\$ 387,569</u>	<u>\$ 3,397,384</u>	<u>\$ 542,843</u>	<u>\$ 934,765</u>	<u>\$ 4,874,992</u>

**DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**  
(A Component Unit of Durham County Government)  
Schedule of Distributions of Profits  
For the Year Ended June 30, 2018

<b>Distribution</b>	<b>Recipient</b>	<b>Amount</b>	<b>Date of Distribution</b>	<b>Restrictions on Use</b>
Law Enforcement	Durham ABC Law Enforcement	\$ 537,156	7/1/17 - 6/30/18	Law Enforcement
Alcohol Education	Zoom Grant Software	\$ 5,000	12/20/17	Internet Based Grant Software
	Triangle Tribune	180	02/27/18	Community Ads - Alc. Ed.
	La Conexion	330	02/27/18	Community Ads - Alc. Ed.
	News & Observer	351	02/27/18	Community Ads - Alc. Ed.
	Que Pasa	310	02/27/18	Community Ads - Alc. Ed.
	Indy Week	388	03/07/18	Community Ads - Alc. Ed.
	News & Observer	388	03/28/18	Community Ads - Alc. Ed.
	Campaign 4 Change	15,000	06/30/18	Alcohol Education
	Durham Business Exchange	35,000	06/30/18	Alcohol Education
	El-Centro Hispano	12,000	06/30/18	Alcohol Education
	Life Skills Foundation	17,000	06/30/18	Alcohol Education
	Men of Vision	5,081	06/30/18	Alcohol Education
	Pathways to Change	6,200	06/30/18	Alcohol Education
	Quality Education	10,000	06/30/18	Alcohol Education
	Rebound Alternatives	31,070	06/30/18	Alcohol Education
	Standup Speakout	5,000	06/30/18	Alcohol Education
	TRP Global Leadership	7,500	06/30/18	Alcohol Education
	Charles Houston Foundation	10,000	06/30/18	Alcohol Education
	Exchange Club for Child Abuse	15,000	06/30/18	Alcohol Education
	Real Kids United	35,000	06/30/18	Alcohol Education
Total		\$ 210,797		
County and Municipality*	City of Durham	\$ 244,444	7/1/17 - 6/30/18	None
	Durham County	2,200,000	7/1/17 - 6/30/18	None
Total		\$ 2,444,444		

\*Payments to the county and municipality are made quarterly.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
(A Component Unit of Durham County Government)  
Reconciliation of Budget to Actual  
June 30, 2018

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>				
Operating Revenues:				
Liquor sales-regular	\$ 29,146,535	29,146,535	\$ 29,338,357	\$ 191,822
Mixed beverage sales	7,661,552	7,661,552	8,008,078	346,526
Wine sales			180	180
Total sales	<u>36,808,087</u>	<u>36,808,087</u>	<u>37,346,615</u>	<u>538,528</u>
Non-operating revenues:				
Interest income	288	288	18,342	18,054
Other income				
Total revenues	<u>36,808,375</u>	<u>36,808,375</u>	<u>37,364,957</u>	<u>556,582</u>
<b>EXPENDITURES:</b>				
Total Taxes based on revenue:				
State excise tax	7,917,420	7,917,420	8,025,692	(108,272)
Mixed beverage tax (Revenue)	612,924	612,924	597,931	14,993
Mixed beverage tax (Human Resources)	68,954	68,954	59,793	9,161
Rehabilitation tax	110,424	110,424	95,662	14,762
Wine/mixer sales tax			13	(13)
Total taxes based on revenue	<u>8,709,722</u>	<u>8,709,722</u>	<u>8,779,091</u>	<u>(69,369)</u>
Cost of goods sold	<u>19,240,255</u>	<u>19,240,255</u>	<u>19,295,261</u>	<u>(55,006)</u>
<b>OPERATING EXPENSES:</b>				
Personnel expenses	3,436,349	3,436,349	3,230,101	206,248
Facilities expenses	464,848	464,848	452,066	12,782
Supplies and materials	149,414	149,414	147,132	2,282
Contract/professional services	191,300	237,300	191,058	46,242
Repairs and maintenance	136,980	136,980	126,521	10,459
Credit card fees	445,567	445,567	396,532	49,035
Travel, training and development	61,420	61,420	35,798	25,622
Other operating expenses	160,035	160,035	162,601	(2,566)
Miscellaneous-contingency	66,000	20,000		20,000
Total operating expense	<u>5,111,913</u>	<u>5,111,913</u>	<u>4,741,809</u>	<u>370,104</u>
Debt Service	531,779	531,779	507,341	24,438
Capital Outlay	<u>144,500</u>	<u>417,437</u>	<u>328,002</u>	<u>89,435</u>
Total expenditures	33,738,169	34,011,106	33,651,504	359,602

(Continued)



DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD  
(A Component Unit of Durham County Government)  
Reconciliation of Budget to Actual  
June 30, 2018

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>DISTRIBUTIONS:</b>				
Law Enforcement	\$ 497,653	\$ 514,203	\$ 537,156	\$ (22,953)
Alcohol education/rehabilitation	217,168	216,727	216,727	
County and Municipal	1,652,948	2,444,444	2,444,444	
Total distributions	<u>2,367,769</u>	<u>3,175,374</u>	<u>3,198,327</u>	<u>(22,953)</u>
Total expenditures and distributions	36,105,938	37,186,480	36,849,831	336,649
Revenues over (under) expenditures	702,437	(378,105)	515,126	893,231
Other financing sources (uses):				
Working capital retained	<u>(702,437)</u>	<u>378,105</u>		
Revenues over expenditures and other financing uses	<u>\$</u>	<u>\$</u>	<u>\$ 515,126</u>	<u>\$ 893,231</u>

**Reconciliation from budgetary basis  
(modified accrual) to full accrual:**

Reconciling Items:

Depreciation	\$ (339,258)
Capital outlay	328,002
Debt service	483,070
Total	<u>471,814</u>

Change in Net Position \$ 986,940